



Department of Justice

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**JUSTICE DEPARTMENT REQUIRES NORTHROP GRUMMAN TO ADOPT
NON-DISCRIMINATION TERMS IN ORDER TO CONSUMMATE ITS ACQUISITION
OF TRW INC.**

**Department Preserves Competition in U.S. Government
Reconnaissance Satellite Systems**

WASHINGTON, DC — The Department of Justice today announced that it will require Los Angeles-based Northrop Grumman Corporation to agree to certain restrictions to ensure continued competition for reconnaissance satellite systems in order for Northrop Grumman to proceed with its proposed \$7.8 billion acquisition of TRW Inc. The Department said the acquisition, absent the restrictions outlined in the consent decree, would have resulted in a vertical combination that would have substantially lessened competition in the development and sale of reconnaissance satellites systems used by the U.S. military.

Reconnaissance satellites obtain information important to the nation's defense that is unavailable by other means, through key components called payloads, that detect radar signals that bounce off of objects, and that detect radiation emitted or reflected by an object.

The Department's Antitrust Division filed a lawsuit today in U.S. District Court in Washington, D.C., to block the proposed transaction. At the same time, the Department filed a proposed consent decree that, if approved by the court, would resolve the lawsuit and the Department's competitive concerns.

“By requiring Northrop to make its sophisticated satellite payloads available to competitors, along with other provisions, this consent decree enables the U.S. government-- the only customer of reconnaissance satellites-- to continue to benefit from competitive prices, higher quality, and continued innovation,” said R. Hewitt Pate, Acting Assistant Attorney General in charge of the Department’s Antitrust Division. “Competition ensures that the government can purchase the best systems to protect our country,” Pate continued.

Northrop is one of only two U.S. companies that design, develop, and produce the payload used in reconnaissance satellites. TRW is one of only a few companies with the ability to serve as a prime contractor on U.S. government reconnaissance satellite programs. The Department of Defense relies upon prime contractors to select the best sub-systems for the satellites that they build. Northrop’s acquisition of TRW will allow it to be both the prime contractor and the payload provider for reconnaissance satellites. Absent the requirements proposed by the consent decree, the vertical integration created by this merger would give Northrop the ability and incentive to lessen competition by favoring its in-house payload to the detriment or foreclosure of its payload competitors and by refusing to sell, or selling at disadvantageous terms, its payload to competing prime contractors.

The current and future programs in which competition would have been most immediately threatened are the Space Based Radar program, intended to place radar capabilities in space, and the Space Based Infrared System-Low program, designed to detect and track hostile missiles.

The Department of Justice worked closely with DoD throughout this investigation and in fashioning the relief in this case.

The proposed consent decree requires Northrop to act in a non-discriminatory manner in: (1) choosing a payload for a satellite program where Northrop is acting as the prime contractor, and (2) supplying its payload to prime contractors competing with Northrop for U.S. satellite programs. Northrop is also required to maintain its payload business separate and apart from its satellite prime contractor business and to work with and support a Compliance Officer--chosen by the Secretary of Defense--who will oversee Northrop's compliance with the terms of the consent decree. In addition, the Secretary of the Air Force is granted significant power to ensure compliance with the consent decree, including the ability to ask the Department of Justice to seek civil penalties of up to \$10 million for each violation of the decree.

Northrop, a Delaware corporation with its principal place of business in Los Angeles, California, reported 2001 net sales of approximately \$13.6 billion. Northrop provides products and services in defense and commercial electronics, systems integration, information technology and nuclear and non-nuclear shipbuilding and systems.

TRW is an Ohio corporation with its principal place of business in Cleveland, Ohio. The company's Space & Electronics and Systems Divisions make defense satellites, communications equipment, and high-energy lasers. In 2001, TRW reported net sales of about \$16.4 billion.

As required by the Tunney Act, the proposed consent decree, along with the Department's Competitive Impact Statement, will be published in the Federal Register. Any person may submit written comments concerning the proposed decree during a 60-day comment period to J. Robert Kramer II, Chief, Litigation II Section, Antitrust Division, U.S. Department of Justice, 1401 H Street, NW, Suite 3000, Washington, D.C. 20530.

At the conclusion of the 60-day comment period, the Court may enter the consent decree upon a finding that it serves the public interest.

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